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Private Medicaid Plans Get Push

By [ANA CAMPOY](#) and [LOUISE RADNOFSKY](#)

A pair of states are proposing to use new Medicaid funding to help the poor buy private health insurance, a new twist in how to implement the 2010 federal health-care law that is winning support from some Republicans.

Arkansas Gov. Mike Beebe, a Democrat, wants U.S. health regulators to let the state use federal dollars intended to expand eligibility for the Medicaid program to instead buy private insurance policies for low-income people. Ohio Republican Gov. John Kasich is pushing for a similar deal.



Associated Press

Mr. Beebe at the capitol last week

The new option could appeal to conservatives, who argue that the private sector could provide care more efficiently than the government-run Medicaid program. It would also meet the Obama administration's goal of coaxing into the expansion several states that have signaled they would pass on it, citing problems with Medicaid and concerns about increased government spending.

Last summer, the U.S. Supreme Court said states could opt out of the health-care law's expansion of Medicaid to cover people with incomes up to 133% of the federal poverty level, or about \$15,000 for a single person. Medicaid coverage varies by state but is generally reserved for the poorest Americans.

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States have long been allowed to use Medicaid dollars to pay the premiums of low-income people enrolled in private insurance plans if the states could prove that arrangement was more cost-effective and provided the

same benefits as Medicaid.

But no state has tried doing so, because it is very difficult to prove private plans offer the same benefits. Under the 2010 law, there are likely to be a few standardized private plans on sale through new insurance exchanges, which would make it easier to show the benefits match up.

State and federal officials still have to hammer out important details of the private-market option, including how much money Washington would give to states that choose this course.

The nonpartisan Congressional Budget Office has estimated the average annual cost of federal subsidies for private insurance for a low-income person at \$9,000 when the health-care law takes full effect, while Medicaid only comes to \$6,000. Arkansas lawmakers said they were working on their own estimates.

Under the health-care law, the U.S. would pay the full cost of coverage for newly eligible people in Medicaid for the first three years, and at least 90% of the cost in subsequent years.

A spokeswoman for the Department of Health and Human Services said it hadn't yet received written detailed proposals from Mr. Beebe, but would carefully review them when it did.

The idea has already changed the tenor of negotiations in Arkansas and Ohio, where the governors have faced resistance from state legislatures to expanding the traditional Medicaid program. Health officials for Virginia GOP Gov. Bob McDonnell are also reviewing the proposal.

"We all see this as a complete 90-degree turn toward the right direction," said Arkansas GOP House Speaker Davy Carter, who represents an area northeast of Little Rock. "We still have a lot of work to do, but we've intercepted the ball."

Arkansas's medical providers say they are enthusiastic about the arrangement, noting they would probably be better reimbursed by private insurance companies than by Medicaid.

In Ohio, Greg Moody, director of the Governor's Office of Health Transformation, said there were still many details to sort out, but "we're very confident we can work through those things."

One advantage of the private-insurance option is that it could allow low-income people to keep the same health-care plan even if they start earning more and no longer qualify for government aid, said Bill Hazel, Virginia's secretary of health. But, he added, he remains worried about the costs of expanding eligibility for government-funded health coverage.

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